

**IN THE UNITED STATES THE BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

MOM CA Investco LLC, *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 25-10321 (BLS)

(Jointly Administered)

**Re: Docket No. 8**

**Hearing Date: March 31, 2025 at 11:00 a.m. (ET)**

**PREFERRED BANK’S OBJECTION TO DEBTOR’S MOTION FOR ENTRY OF  
INTERIM AND FINAL ORDERS (I) AUTHORIZING POSTPETITION USE OF CASH  
COLLATERAL; (II) GRANTING ADEQUATE PROTECTION; (III) MODIFYING  
AUTOMATIC STAY; (IV) SCHEDULING A FINAL HEARING; AND  
(V) GRANTING RELATED RELIEF**

Preferred Bank (“Preferred”), by and through its undersigned counsel, hereby files this objection (the “Objection”) to the motion of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) pursuant to sections 105, 361, 362, and 363 of title 11 of the United States Code (the “Bankruptcy Code”) for the entry of interim and final orders (i) authorizing use of cash collateral; (ii) granting adequate protection, (iii) modifying the automatic stay; (iv) scheduling a final hearing; and (iii) granting related relief [Docket No. 8] (the “Motion”). In support of the Objection, Preferred respectfully states as follows:

**BACKGROUND**

1. Preferred is owed two loans by Debtors and Debtors-in-Possession, Tesoro

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<sup>1</sup> The debtors in these chapter 11 proceedings, together with the last four digits of each Debtor’s federal tax identification number, are: MOM CA Investco LLC [6263], MOM AS Investco LLC [6049], MOM BS Investco LLC [6180], Retreat at Laguna Villas, LLC [2046], Sunset Cove Villas, LLC [9178], Duplex at Sleepy Hollow, LLC [9237], Cliff Drive Properties DE, LLC [0893], 694 NCH Apartments, LLC [0318], Heisler Laguna, LLC [4709], Laguna Festival Center, LLC [4073], 891 Laguna Canyon Road, LLC [0647], 777 AT Laguna, LLC [8715], Laguna Art District Complex, LLC [8316], Tesoro Redlands DE, LLC [2764], Aryabhata Group LLC [7332], Hotel Laguna, LLC [9580], 4110 West 3rd Street DE, LLC [8641], 314 S. Harvard DE, LLC [2057], Laguna HI, LLC [6408], Laguna HW, LLC [9470], The Masters Building, LLC [6134], and 837 Park Avenue, LLC [3229]. The debtors’ headquarters are located at 520 Newport Center Drive, Suite 480, Newport Beach, CA 92660.

Redlands De, LLC (“TRD”) and Aryabhata Group, LLC (“AGL”).

2. In or about February 2022, Preferred extended a loan to TRD (“TRD Loan”) in the principal amount of \$39,000,000.00, which is secured by a Deed of Trust and an Absolute Assignment of Leases, Lease Guaranties, Rents, Issues and Profits (collectively “TRD DOT”) against TRD’s real property (the “TRD Property”). Preferred perfected its interest in the TRD Property and its rents, issues, and profits by recording the TRD DOT in the Official Records of San Bernardino County, California as document number 2022-0077762 and 2022-0077763, respectively, on February 28, 2022. TRD currently owes Preferred over \$37 million.

3. According to the Debtors, the TRD Property generates over \$330,000 in rents per month and generates positive operating cash flow after paying for operating expenses, excluding secured debt service. This “positive operating cash flow” is about \$220,000 per month after excluding semi-annual property taxes. [Docket No. 89, Exh. 1, p.47]

4. No payments have been made on the TRD Loan since 2024 and no accounting for the rents has been provided, except, however, the Debtors did disclose that \$50,000 of the rents were used to fund the proposed independent manager. [Docket No. 11, ¶ 83]

5. In or about June 2021, Preferred extended a loan to AGL (“AGL Loan” and together with the TRD Loan, the “Loans”) in the principal amount of \$30,000,000.00, which is secured by a Deed of Trust and an Absolute Assignment of Leases, Lease Guaranties, Rents, Issues and Profits (collectively “AGL DOT”), against AGL’s real property (the “AGL Property”). Preferred perfected its interest in the AGL Property and its rents, issues, and profits by recording the AGL DOT in the Official Records of Orange County, California as document number 20211000427442 and 2021000427443, respectively, on June 30, 2021. AGL currently owes Preferred over \$28 million.

6. The AGL Property generates no rents, but has minimal operating expenses according to the Debtors other than the semiannual property taxes of roughly \$250,000. [Docket No. 8, Exh. 1, p.48]

### **ARGUMENT**

7. The Debtors are not substantively consolidated and should not be treated as such for

any purpose. The Debtor wants to upstream rents from the TRD Property to pay for all of their other obligations. The Motion seeks orders determining that all Debtors and their estates are jointly and severally liable for all expenses in their budgets, including for professional fees, regardless of reason and beneficiary of the services to be provided. No breakdown is given for which professional services benefit which debtor or to what degree.

8. Preferred has no issue with the Debtors using the TRD Property rents to pay for the actual and necessary expenses of the AGL Property. Otherwise, the proposed budget provides no benefit to Preferred, and certainly no benefit to the unsecured creditors of TRD. The Motion provides no authority for the ability to blindly surcharge the TRD Property for all of the expenses of every other debtor that provides no benefit to TRD or its estate. The Motion contains no evidence for how those expenses directly benefit TRD or its estate either. Nor does the mere grant of replacement liens adequately protect Preferred as it holds valid liens on the real estate and rents. Accordingly, to grant the Motion, actual adequate protection under 11 U.S.C. section 363(e) must be provided and is hereby demanded.<sup>2</sup>

9. Preferred Bank reserves its right to supplement these objections to the Motion prior to any final hearing on the Motion.<sup>3</sup>

WHEREFORE, Preferred Bank respectfully requests that this Court deny the Motion as set forth herein and grant such other relief as is necessary and proper.

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<sup>2</sup> Discussions with the Debtors are ongoing to try to resolve these issues.

<sup>3</sup> Preferred previously voiced this same objection at the first hearing.

Dated: March 26, 2025

GELLERT SEITZ BUSENKELL & BROWN  
LLC

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